

**STATEMENT OF  
THE HONORABLE JERRY F. COSTELLO  
EFFECTS OF THE PROPOSED ARRANGEMENT BETWEEN DHL AND UPS ON  
COMPETITION, CUSTOMER SERVICE, AND EMPLOYMENT  
SEPTEMBER 16, 2008**

➤ Thank you, Mr. Chairman for holding today's hearing on the effects of the proposed arrangement between DHL and UPS on competition, customer service, and employment within the express package industry.

➤ As Chairman Oberstar stated, on May 28, 2008, DHL and UPS announced a proposed agreement whereby UPS would provide airlift for DHL Express in the United States, claiming that such a move would generate more than \$1 billion in additional annual revenue for UPS and create cost savings for DHL from more effective aircraft and improved operational efficiency.

➤ This proposed arrangement has increased speculation that this is the first step toward merging. The long term implications of this contractual agreement and any merger could have a major effect on the future of the package delivery industry. I firmly believe we must preserve American jobs and competition so customers get the best service possible.

➤ The relationship between DHL, ABX, and ASTAR is long and convoluted. In the past, there have been attempts to consolidate and it is no secret that DHL has been losing considerable money in the US market. Analysts have long stated that DHL's business model was flawed from the start.

- While some change is understandable, it is surprising and questionable why DHL would choose one of its biggest competitors, UPS, to provide critical airlift service.
  
- I look forward to hearing how this new proposed contractual agreement will affect the employees at DHL, ASTAR, ABX, and UPS. I understand over 8000 jobs will be lost in Wilmington, Ohio and the surrounding area because of this new deal and I want to know what options are being provided to those employees.
  
- Further, I am interested in hearing from Samuel Simon from the American Antitrust Institute regarding the pros and cons of this new proposed arrangement for both consumers and employees, and also its affect on the express mail industry in the future.

- While there is no doubt this move by DHL to partner with UPS will negatively impact the local and state economies in Ohio, such a move has larger implications on the US express mail market – in particular the potential for anticompetitive practices. Like with passenger airline mergers, we must make sure that consumers and employees do not end up paying a hefty price for consolidation or contractual arrangements.
  
- With that, I want to again thank Chairman Oberstar for holding today's hearing and look forward to the witnesses' testimony.